85-5436/

Financial Highlights

(Millions of $)	Saskatchewan Auto Fund	Saskatchewan Government Insurance
Premiums Written	$ 192.8	$ 100.9
Total Revenue	$ 214.8	$ 114.3
Claims Incurred	$ 149.0	$ 71.7
Other Expenses	$ 20.9	$ 41.8
Net Increase to Rate Stabilization Reserve	$ 44.8	—
Net Earnings (Loss)	—	$ (3.6)
Actual Reported Claims * Includes Auto Fund and Extension	154,697*	46,771

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Letter of Transmittal

Regina, Saskatchewan
May, 1985

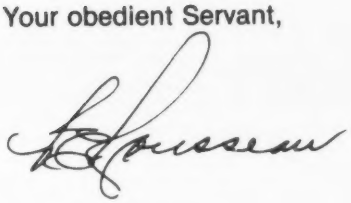
To His Honour,
The Honourable F.W. Johnson,
Lieutenant-Governor of the Province of Saskatchewan

Sir:

I have the honour to submit herewith the annual reports of the Saskatchewan Auto Fund and Saskatchewan Government Insurance for the year ended December 31, 1984, including the financial statements therefor, duly certified by the Provincial Auditor and in the form approved by the Treasury Board, all in accordance with the Automobile Accident Insurance Act and the Saskatchewan Government Insurance Act.

I have the honour to be, Sir,

Your obedient Servant,



Paul E. Rousseau
Minister Responsible for
Saskatchewan Auto Fund
Saskatchewan Government Insurance

Board of Directors

Allan W. Wagar
Chairman of the Board
Regina

Honourable Paul E. Rousseau
Vice-Chairman
Minister of Revenue and Financial Services
Province of Saskatchewan
Regina

Arden E.B. Erman
President
Brinkley's Funeral Service Ltd.
Maple Creek

Eli L. Fluter
Treasurer
H.A. Roberts Group
Regina

James N. Goring
Farmer
Biggar

Ted Henson
President
Ted Henson Pontiac, Buick GMC Ltd.
Saskatoon

Ronald J. Hicks
Partner
Deloitte Haskins and Sells
Saskatoon

Ronald W. Jeffery
President
Prairie Agencies Ltd.
Weyburn

Donald R. Leier
President
Cavalier Inns
Saskatoon

D. Alaistair K. MacLean, Q.C.
Partner
MacLean, Keith, McDonald and Love
Regina

Ray Malinowski
Vice-President and General Manager
Leon's Manufacturing Co. Ltd.
Yorkton

Alan E. Nicholson
Regina

George F. Shaw
Vice-President, Finance
Alto Construction
Esterhazy

Ron L. Skinner
President
Yorkton Television Co. Ltd.,
Prince Albert Television Co. Inc.
and Image Cable Systems Ltd.
Yorkton

Edward Sulewski
Farmer
Paddockwood

Executive Committee
Eli L. Fluter, Chairman
Donald R. Leier
D.A.K. MacLean, Q.C.
Allan W. Wagar

Audit and Finance Committee
George R. Shaw, Chairman
Ted Henson
Ron L. Skinner

Reinsurance Committee
D.A.K. MacLean, Q.C.
Chairman

Executive Officers

Donald W. Black
President

Alan C. Cockman
Vice-President
Systems

Larry G. Fogg
Vice-President
Saskatchewan Auto Fund

W. Grant Gibson
Corporate Counsel and Secretary
to the Board of Directors

William J. A. Heidt
Vice-President
Finance

Kenneth J. Hodkinson
Vice-President
Underwriting Operations

Robert A. Warren
Vice-President
Human Resources

Alex G. Wilde
Vice-President
Claims Operations

Five Year Comparison of Financial Statistics — Saskatchewan Auto Fund

(Millions of $)	1984	1983	1982	1981	1980
Premiums Written	$192.8	179.0	170.4	163.7	119.2
Premiums Earned (Excl. Fuel Tax)	$187.8	171.3	155.3	126.4	94.5
Motive Fuel Tax	$ —	—	6.6	19.7	12.7
Claims Incurred	$149.0	141.7	141.4	123.7	116.5
Other Expenses	$ 20.9	18.7	24.2	21.5	17.8
Actual Number of Claims (Auto Fund & Extension)	154,697	182,200	200,292	176,665	188,481

Report on Operations

Simply put, 1984 was the best year in the history of the Automobile Accident Insurance Act. Safer driving and favourable weather, together with close attention to controlling administrative costs, restored the Auto Fund to financial health and made possible dramatic improvements in service and coverage.

It was a remarkable transformation. The Auto Fund entered the 1980s with a deficit of $33.5 million in its Rate Stabilization Reserve, returning to the black with a surplus in 1983. That $14.9 million surplus grew by a further $44.8 million during 1984, bringing the balance in the Reserve to $59.7 million at year end.

The explanation is largely a reduction in claims and continued operational efficiency. For the second consecutive year, the number of reported claims declined. The 15 per cent drop in 1984 produced $149 million in claims incurred, compared to $141.7 million in 1983. An unusually mild first quarter and a virtually storm-free summer contributed to this accomplishment.

Regina Senior Appraiser Leonard Nargang makes a record of accident damage, the first step in a claim settlement.

Customers can choose from a wide variety of high-quality recycled parts from five Salvage division retail outlets.

The Fund continued to demonstrate exceptional cost-efficiency during the year. Because of an efficient delivery system and close attention to cost control, administrative expenses grew by only $721,000 in 1984, reaching $11.6 million. Administrative expenses represented only 6.2 cents of the premium dollar.

Premiums earned rose by $16.5 million to $187.8 million, reflecting growth in the vehicle population and the average three-per-cent premium increase granted by the Public Utilities Review Commission in August, 1983.

Increased cash flow resulting from lower claims and attractive interest rates are primarily responsible for the $8.8 million increase in investment earnings, which reached $25.3 million.

Sales from the Auto Fund's Salvage branches in Moose Jaw, North Battleford, Regina, Saskatoon and Yorkton reached $9.3 million in 1984, $100,000 more than 1983. The Salvage division, which operates as a separate profit centre, produced a profit of $1 million.

Status of the Fund

As a result of legislation enacted late in 1983, the Saskatchewan Auto Fund came into being as a separate legal entity on January 1, 1984. Before this date, the operating results of the Automobile Accident Insurance Act were reported separately, but its assets and liabilities were included with SGI's. A transfer of $201 million from SGI to the Auto Fund assigned all assets and liabilities associated with the com-

pulsory insurance program and its Salvage division to the Fund.

Improving the Safety Net

The Saskatchewan Auto Fund exists to provide basic, universal insurance service to Saskatchewan drivers and vehicle owners. The Fund is self-sustaining, designed to break even over the long term, with surpluses and deficits recorded in the Rate Stabilization Reserve. It is administered by SGI on behalf of the provincial government.

The Fund's return to financial health in 1983 and its subsequent improvement in 1984 allowed SGI to introduce improved benefits and services.

Better Benefits

Three types of coverage are provided by the Fund: third-party liability, own-vehicle damage and payments for injury or death. Own-vehicle damage ("collision") and basic compensation for injury and death are paid without regard to the fault of the insured.

Legislation passed in December, 1984 significantly improved benefits. Effective January 1, 1985, third-party liability coverage grew to $200,000 from $100,000. Death payments increased substantially, as did the supplementary medical allowance.

Many provisions of the Automobile Accident Insurance Act were also updated. New amendments eliminate discrimination by sex, allow proportionate sharing of the deductible where both parties are at fault, and end the practice of reducing permanent disability payments by amounts received from the Canada Pension Plan or the Old Age Security Act.

Rate Reductions

On September 14, 1984, SGI filed an application with the Public Utilities Review Commission seeking approval to restructure the vehicle premium schedule for the rating year starting May 1, 1985. Phase I Hearings (revenue re-

During 1984, the Auto Fund incurred more than $63 million in collision claims.

quirements) were held in Regina on November 19-20. At that time, SGI informed the Commission of its intent to reward safe drivers with bonus payments of more than $20 million. Payments, based on a driver's accident and traffic conviction record, will be made in 1985.

Following the revenue hearings, SGI filed a revised rate schedule, which proposed eliminating the $15 basic insurance premium on the driver's licence and reducing vehicle premiums by approximately 7 per cent. Included as part of this premium reduction is a new rating category for private passenger cars owned by qualifying farmers. Rates for those farm cars will be 10 per cent lower than those paid by other motorists.

Claims Service

Efficiency and high-quality service were the main objectives of the Claims division during 1984. The division, which processes both Auto Fund and general insurance claims, operates 16 claim centres in 13 communities throughout the province, providing the decentralized service required by Saskatchewan's widely-distributed population.

Plans were laid during the year for a significant improvement in this network, and a capital development program worth approximately $10 million was announced. By 1986, nine new claim centres will replace existing facilities in six communities: Kindersley, Estevan, Meadow Lake, Regina, Weyburn and Lloydminster.

Six communities will soon receive new claims centres similar to this one in Prince Albert.

The Dial-a-Claim program was expanded to most branches in 1984, along with toll-free telephone service, to provide convenient scheduling for adjusters and claimants alike. An automated vehicle damage appraisal system was studied and implementation begun during 1984. The system will offer consistent, fair appraisals across the province at substantial cost savings.

Judy Rheault, a Junior Clerk in head office, enters claims information into the new automated appraisal system.

Licence Issuing Service

SGI administers the vehicle registration and drivers' licensing system for the province. Nine branch offices (Estevan, Moose Jaw, North Battleford, Prince Albert, Regina, Saskatoon, Swift Current, Weyburn and Yorkton) offer the service, along with 422 private licence issuers located in smaller centres.

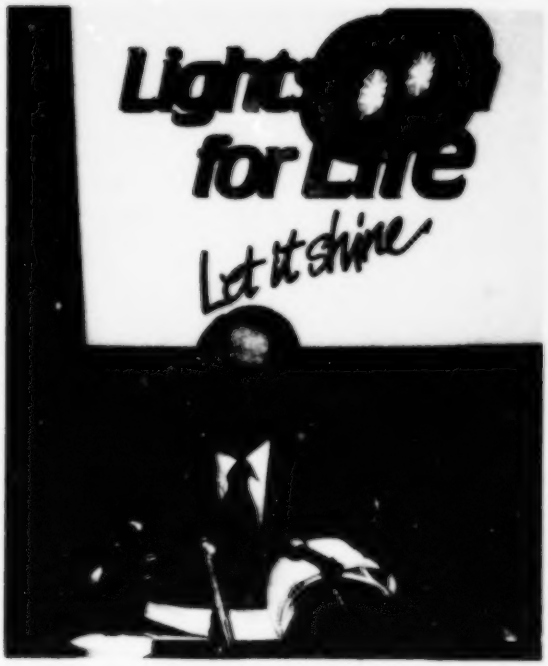
To offer greater convenience, longer business hours and Saturday service to the public, the Auto Fund began appointing private issuers in urban areas late in 1984. The appointments will reduce long month-end lineups at the branch offices, and provide convenient, local service.

Lights on for Life

A central concern of the corporation since its inception has been traffic safety. During 1984, this commitment was demonstrated in a number of ways: substantial support for the Saskatchewan Safety Council, a grant to outfit provincial school buses with stop sign arms, and funding for a major promotional program, *Lights on for Life*.

Lights on for Life, a program begun by SGI's Board of Directors, was announced on May 14, 1984. Only months before, it had been a simple suggestion, gleaned from studies in Scandinavia and North America, which conclusively demonstrate that accidents can be reduced 20 per cent and more, simply by using low-beam headlights during the day.

Participation in *Lights on for Life* grew steadily throughout 1984.



SGI Minister Paul Rousseau announces the voluntary program, *Lights on for Life*, on May 14, 1984.

The people of Saskatchewan responded enthusiastically to the voluntary program. Participation surveys conducted following the May kick-off showed a steady improvement, from 9 per cent of observed vehicles in June to 28 per cent in December.

The evidence in favour of daytime lights is overwhelming. Research conducted in both North America and Scandinavia shows a high correlation between multiple vehicle accidents and visual identification by drivers. Among the most common explanations for an accident is that one or both drivers did not see the other vehicle.

In Canada, Greyhound Bus lines discovered that its accidents declined 24 per cent after a "lights on" program began in the early 1960s. Other studies in the United States by Checker Cab, AT&T, and the Insurance Institute for Highway Safety confirm the effectiveness of daytime running lights. Transport Canada estimates that a national program could mean 200 fewer lives lost, 11,000 fewer injuries and 45,000 fewer accidents each year.

The "lights on" movement is gaining momentum in Saskatchewan and elsewhere. Support from the Insurance Corporation of British Columbia, the Government of Manitoba, and the City of Calgary led to similar experiments in other jurisdictions. In Ottawa, the Federal Government endorsed the "lights on" concept by considering legislation requiring running lights on all new vehicles, beginning with 1986 models.

Saskatchewan's program is voluntary, calling for co-operation and participation of many groups in the community. Support was enthusiastic during the year, with endorsements from civic officials, local governments, the RCMP, city police, educators and the medical community. The development of automatic lights on/off devices was an unexpected benefit of the program that showed the best of the Saskatchewan entrepreneurial spirit.

SGI remains committed to this simple, effective means of saving lives and preventing accidents, and will continue the program during 1985. While the consequences of the program are dramatic, the mechanics require only the flick of a switch.

Allan W. Wagar
Chairman of the Board

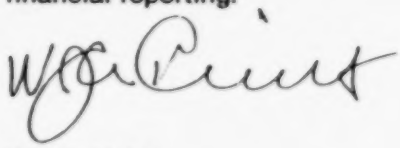
Donald W. Black
President

Responsibility for Financial Statements

The financial statements of the Saskatchewan Auto Fund have been prepared by the management of Saskatchewan Government Insurance as administrator of the Fund in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors of Saskatchewan Government Insurance. The independent auditor has performed an audit of the Fund which has enabled him to express his opinion on the financial statements of the Saskatchewan Auto Fund. This opinion is shown on page 9.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the Saskatchewan Auto Fund. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee composed of members of the Board of Directors of Saskatchewan Government Insurance, administrator of the Fund, meets periodically with financial officers of the corporation and the external auditors. The independent auditor has free access to this Committee, without management present, to discuss the results of his audit work and his opinion on the adequacy of internal financial controls and the quality of financial reporting.



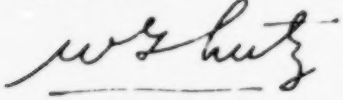
W.J.A. Heidt
Vice-President
Finance
Saskatchewan Government Insurance

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan:

I have examined the statement of financial position of the Saskatchewan Auto Fund as at December 31, 1984, and the statements of operations and Rate Stabilization Reserve and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the Fund as at December 31, 1984, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles.



W. G. Lutz, F.C.A.
Provincial Auditor

Regina, Saskatchewan
February 28, 1985

Statement of Financial Position

December 31	1984	(January 1) 1984 (Note 7)
Assets		(Thousands of $)
Cash and Investments Maturing Within One Year	$ 47,621	$ 49,547
Accounts Receivable	9,552	9,018
Prepaid Expenses and Inventories	6,342	5,240
Long-Term Investments (Note 3)	181,097	116,623
Net Investment in Capital Lease	9,201	9,273
Property, Plant & Equipment (Note 4)	12,173	11,558
	$265,986	$201,259
Liabilities		
Accounts Payable & Accrued Charges	$ 12,600	$ 10,965
Unpaid Claims	99,309	87,277
Unearned Premiums	94,349	88,126
	206,258	186,368
Rate Stabilization Reserve	59,728	14,891
	$265,986	$201,259

(See accompanying notes)

Statement of Operations and Rate Stabilization Reserve

Year Ended December 31	1984	1983 (Note 7)
		(Thousands of $)
Premiums Written	$192,840	$179,055
Premiums Earned	$187,759	$171,303
Investment Earnings	25,268	16,478
Other Income (Note 6)	1,738	-
Total Revenue	214,765	187,781
Claims Incurred	148,980	141,667
Commissions	1,565	1,508
Premium Taxes	7,538	6,133
Administrative Expenses	11,592	10,871
Automobile Research Centre Net Cost	253	149
Total Claims and Expenses	169,928	160,328
Net Increase to Rate Stabilization Reserve	44,837	27,453
Rate Stabilization Reserve:		
Balance Beginning of Year	14,891	(12,562)
Balance End of Year	$ 59,728	$ 14,891

(See accompanying notes)

Statement of Changes in Financial Position

Year Ended December 31	1984	1983 (Note 7)
Resources Provided		(Thousands of $)
Operations		
Increase to Rate Stabilization Reserve	$ 44,837	$ -
Adjustments to Convert Earnings to a Cash Basis:		
Loss (Gain) on Sale of Fixed Assets	(122)	-
Increase (Decrease) in Prepaids, Receivables, Payables and Deferred Accounts (Net)	18,254	-
Depreciation and Amortization	95	-
Resources Provided	63,064	-
Proceeds from Disposal of Fixed Assets	280	-
Resources Provided from Operations	63,344	-
Resources Transferred from Saskatchewan Government Insurance (Note 2)		
Rate Stabilization Reserve	14,891	-
Prepaids, Receivables, Payables and Deferred Accounts (Net)	172,110	-
Resources Transferred	187,001	-
Total Resources Provided	$250,345	$ -
Resources Applied		
Acquisition and Transfer of Fixed Assets	$ 13,070	$ -
Increase in Short-Term Investments	48,612	-
Increase in Long-Term Investments	188,663	-
Total Resources Applied	$250,345	$ -

(See accompanying notes)

Notes to the Financial Statements

1. Significant Accounting Policies

The Fund's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments

(a) Bonds, debentures and mortgages have been accounted for on the "deferral and amortization" method. Under this method, realized gains and losses on disposal are deferred and amortized over the period to maturity of the security sold. The unamortized portion of realized gain or loss is included in the amortized value of bonds and debentures.

(b) Shares and convertible bonds have been accounted for on the "fair value" method. This method values shares on a five-year moving average of market values, thereby allowing for a gradual movement towards current quoted market values.

Premium Acquisition Cost

Premium taxes and commissions are charged to expense over the terms of the insurance policies to which such costs relate.

Depreciation

Depreciation on property, plant and equipment is provided on a straight-line basis, commencing in the year in which the assets are placed in service, at rates which are expected to amortize the cost over the service life of each asset.

Unpaid Claims

The provision for unpaid claims includes the estimated cost to the Fund of reported claims, and an estimate based on the claims settlement experience of the Fund of the cost of claims yet to be reported.

Capital Lease

The Fund, as lessor, has a 63 per cent interest in a lease agreement with a Government department for a term of thirty years (twenty-six years remaining) on property in Prince Albert. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee. The investment in the capital lease reflects the present value of future lease payments, discounted at an interest rate implicit in the lease.

Unearned Premiums

Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Foreign Exchange

Assets in foreign currency are translated to Canadian dollars at the year-end rate of exchange. Unrealized gains and/or losses arising on translation are charged to operations in that year.

Administrative Expenses

Saskatchewan Government Insurance (SGI) as administrator of the Saskatchewan Auto Fund incurs certain administrative expenses which cannot be readily or economically identified with the operations of SGI or the Saskatchewan Auto Fund. Section 97 of the Automobile Accident Insurance Act, which became effective January 1, 1984, provides that the Board of Directors of SGI may make rules for the allocation of these expenses between SGI and the Auto Fund. The Board of Directors has approved an equal sharing of these administrative expenses, which is consistent with the allocation used in the prior year.

Identifiable administrative expenses are charged directly to operations.

2. Status of the Fund

The Automobile Accident Insurance Act (Chapter A-35, Revised Statutes of Saskatchewan, 1978) was amended effective January 1, 1984 to establish the Saskatchewan Auto Fund. Prior to 1984 the operations of the Automobile Accident Insurance Act were regarded as a separate entity for financial reporting purposes. The operating results, however, were recorded in the accounts of Saskatchewan Government Insurance (SGI). Establishment of the Saskatchewan Auto Fund provided an entity to which the accounts relating to the Automobile Accident Insurance Act could be transferred. SGI continues to be administrator of the Automobile Accident Insurance Act and now the Saskatchewan Auto Fund.

Effective January 1, 1984, all assets and liabilities pertaining to the compulsory automobile insurance program, the Salvage Division operations and the balance of the Automobile Rate Stabilization Reserve were transferred to the Saskatchewan Auto Fund at their net book value. The transfer consisted of:

January 1, 1984	(Thousands of $)
Cash and investments maturing within one year	$ 49,547
Accounts receivable	9,018
Prepaid expenses and inventories	5,240
Long-term investments	116,623
Net investment in capital lease	9,273
Property, plant and equipment	11,558
	$201,259
Accounts payable and accrued charges	$10,965
Unpaid claims	87,277
Unearned premiums	88,126
Rate Stabilization Reserve	14,891
	$201,259

The accumulated earnings of the A.A.I.A. and the Saskatchewan Auto Fund are retained in the Rate Stabilization Reserve for the future benefit of Saskatchewan's motoring public and cannot be used for the payment of general dividends.

3. Long-Term Investments

(Thousands of $)

The components of the Fund's long-term investments are as follows:

	December 31, 1984		January 1, 1984	
	Book Value	Market Value	Book Value	Market Value
			(Note 2)	
Bonds and debentures	$142,049	$142,817	$ 84,600	$ 79,441
Mortgages	11,679	11,912	9,252	9,447
Shares and convertible bonds	27,369	28,023	22,771	25,236
Total long-term investments	$181,097	$182,752	$116,623	$114,124

4. Property, Plant and Equipment

(Thousands of $)

The components of the Fund's investment in property, plant and equipment, as well as the related accumulated depreciation, are as follows:

	Cost Dec. 31/84	Acc. Depr. 1984	Net Book Value Dec. 31/84	Net Book Value Jan. 1/84
				(Note 2)
Land & Improvements	$ 1,726	$ -	$ 1,726	$ 1,457
Buildings	10,980	2,399	8,581	8,636
Automobiles, Furniture and Equipment	3,170	1,304	1,866	1,465
Total	$15,876	$3,703	$12,173	$11,558

5. Public Utilities Review Commission

Premiums charged under the provisions of the Automobile Accident Insurance Act are subject to the review and approval of the Public Utilities Review Commission.

On November 30, 1984, the Commission ordered that SGI, as administrator of the Saskatchewan Auto Fund, administer the Fund in such a way that the Rate Stabilization Reserve for the Saskatchewan Auto Fund at the end of the 1985 fiscal year is not to be expected to exceed $38.5 million.

6. Salvage Division

Effective January 1, 1984, the Fund assumed the assets, liabilities and operations of the Salvage Division from SGI. The Fund operates the Salvage Division in order to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claims settlement process. In 1984, the total salvage sales amounted to $9,267,000; gross earnings on sales $3,106,000; and net earnings of $996,000. The net earnings of the Salvage Division are included in other income.

7. Comparative Financial Information

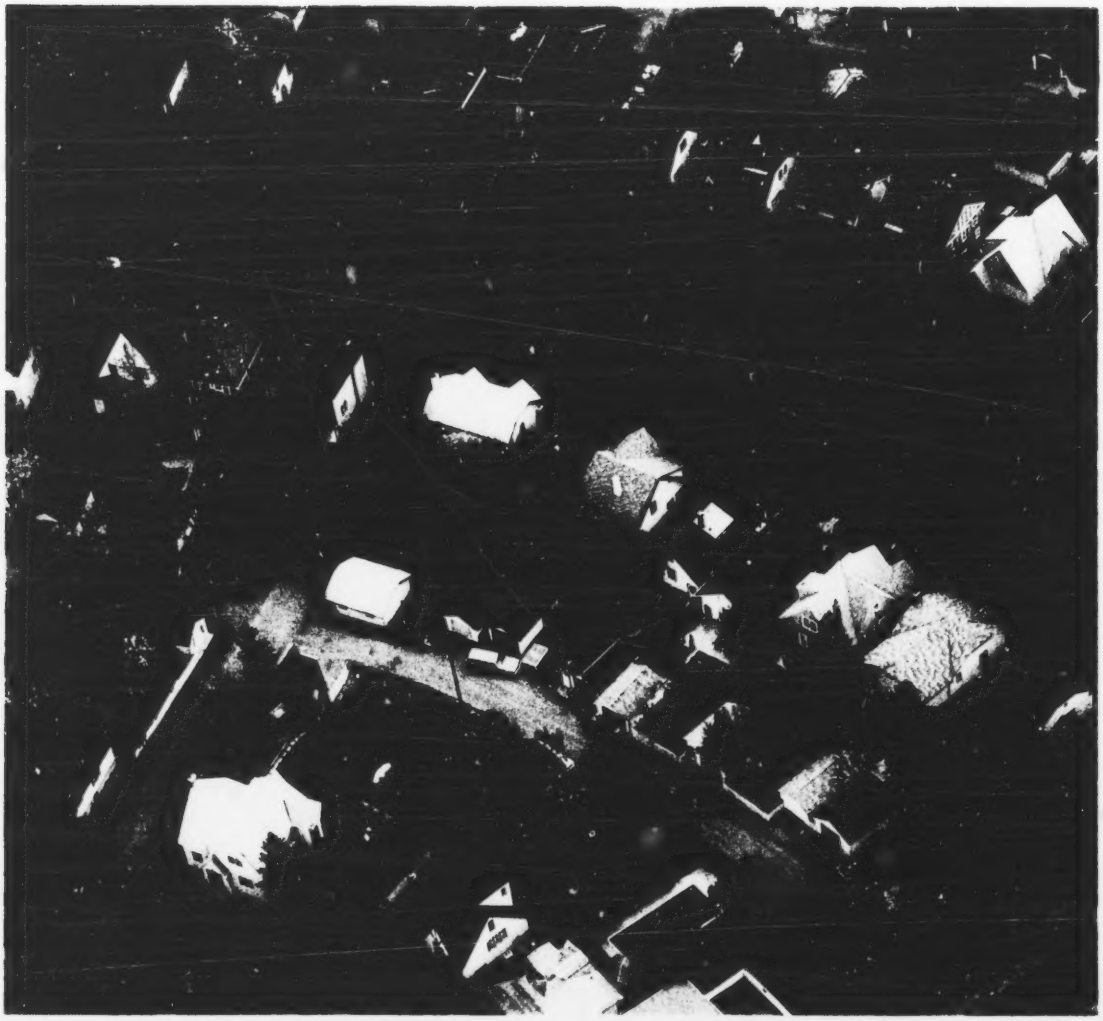
The Statement of Financial Position and Statement of Changes in Financial Position have not been prepared on a comparative basis for the preceding year, as the assets and liabilities were recorded in the accounts of SGI until the creation of the Saskatchewan Auto Fund effective January 1, 1984. In order to enhance the usefulness of the Statement of Financial Position, comparative figures as at January 1, 1984 have been provided.

As the operating results of the Automobile Accident Insurance Act have in prior years been treated as a separate entity for financial reporting purposes, comparative figures for the preceding year have been provided in the Statement of Operations and Rate Stabilization Reserve.

8. Related-Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the Fund is related.

Account balances resulting from these transactions are included in the Statement of Financial Position, and are settled on normal trade terms.



Five Year Comparison of Financial Statistics — Saskatchewan Business

(Millions of $)	1984	1983	1982	1981	1980
Premiums Written	$100.9	102.9	94.9	87.8	76.6
Premiums Earned	$102.8	97.4	91.5	81.0	69.6
Claims Incurred	$ 71.7	80.1	81.7	67.1	54.7
Other Expenses	$ 41.8	39.2	31.2	28.0	23.9
Actual Number of Claims (Excluding Auto Extension)	46,771	61,947	56,758	55,403	54,880

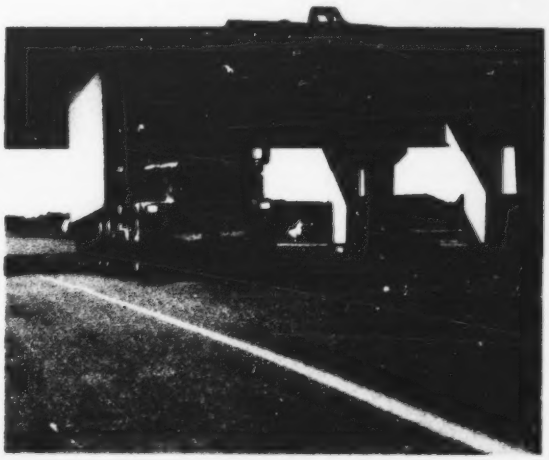
The corporate drive toward profitability for SGI's general property/casualty business took a step forward in 1984. Despite intense competition, SGI's Saskatchewan property/casualty operations recorded an $807,000 profit in 1984, compared to a $6.5 million loss in 1983. Overall general business operations recorded a $3.6 million loss, directly attributable to continued long-tailed liabilities from cancelled treaties in the assumed reinsurance portfolio.

Solid rebuilding was evident everywhere in SGI's Saskatchewan portfolio, as the earned loss ratio (claims incurred to premiums earned) declined to 70 per cent from 82 per cent in 1983. The favourable ratio (which compares to 78 per cent for the Canadian insurance industry) reflects the concerted reunderwriting effort begun in 1982, which focused on proper pricing, selecting high-quality insurance business and redesigning products where necessary. As well, the near-absence of catastrophes contributed significantly to the positive results.

Saskatchewan Business

The absence of major catastrophes and the mild winter of 1983-84 contributed to an overall drop (25 per cent) in the number of claims reported in 1984. Because 1983 saw five catastrophes province-wide, with a corresponding jump in the number and dollar value of claims, the favourable weather was particularly welcome. In 1984, only one large hailstorm occurred, crossing the Prince Albert area on August 19, causing $2.9 million in claims incurred.

Sherry Wolf, a Supervisor in Human Resources, is one of 50 women in management at SGI in 1984.



Both commercial and personal insurance coverage are available from your local SGI agent.

Fewer claims were reported on all lines, with the exception of Agro Pak and Mobile Home Pak, which showed slight increases in 1984. Total claims incurred during the year declined by $8.4 million to $71.7 million.

Net premiums written for the year reached $100.9 million, a slight decline from the 1983 total of $102.9 million. A small decrease (4 per cent) in policy count was also recorded, due largely to competitive pressures and the corporate redirection in underwriting. Despite this, SGI's position as the largest insurer in the province, with approximately half the total market, has remained stable and strong over the past decade. Premiums earned increased by 6 per cent in 1984, to $102.8 million.

Other income declined by almost $1 million in 1984 to $578,000, due to the transfer of the Salvage division to the Auto Fund on January 1, 1984. Other income for the year included gains realized on the sale of the corporation's old head office building and Smith Street parking lots in Regina.

Strict budgetary and spending controls kept overall administrative expenses (excluding adjusting costs) to an increase of only one per cent in 1984, lowering the general business expense ratio (administrative expenses to premiums earned) to 17 per cent from 18 per cent.

Blaine Herrell, a Systems Analyst, readies a management information program at head office.

Personal Lines

1984 results were highly encouraging for SGI's personal lines products (Home Pak, Tenant Pak, Agro Pak, Pension Pak, Mobile Home Pak and the General Dwelling Protector), which make up more than half of all SGI sales. A corporate commitment to more selective underwriting helped stabilize the portfolio in 1984, which is reflected in the improvement experienced by the line.

A 12 per cent drop in personal lines claims incurred for the year (to $40.7 million) illustrates the unusually high number of claims in 1983 from the severe summer storms that year. The personal lines loss of $5.4 million in 1984, $8.1 million lower than 1983, is primarily due to deteriorating Agro Pak performance. When Agro results are excluded, remaining products nearly broke even.

Commercial and Bonds

Like the rest of the corporation, the Commercial division concentrated its efforts in 1984 on

Al Plante, Manager of Training and Development, leads a workshop in effective communications, reflecting SGI's commitment to staff development.

careful risk management and judicious underwriting, while ensuring that SGI's position in the marketplace is well protected.

Premiums earned decreased slightly to $16.6 million, while premiums written declined by $3 million to $15 million. The portfolio lost $2.9 million in 1984, reflecting several individual large losses.

SGI's Surety department provides general bonding services to the community, including bid and performance bonds to construction and contracting firms. Its 1984 portfolio recorded a profit of $202,000, down slightly from 1983.

Auto

The financial performance of the three products which compose this line--Auto Pak, Farm Truck and Commercial Auto Pak--was very favourable, producing a profit of $3.9 million in 1984, compared to only $89,000 a year earlier. The financial results show that the auto line was clearly SGI's outstanding performer during 1984.

SGI's Auto Pak offers extended liability coverage and your choice of lower deductibles.

The $1.5 million underwriting profit suggests an exceptional improvement in claims experience and control over administrative expenses. Premiums earned on all auto products grew by $2.2 million to $32 million, while claims incurred declined by 7 per cent to $20.5 million.

Reinsurance

Reinsurance is the function of insuring the risks of other insurance companies. SGI has engaged in both aspects of reinsurance--ceded and assumed--since the late 1940s. Ceded reinsurance (other companies insuring a portion of SGI's risks), which is used to reduce the corporation's claims exposure in a given year, falls into the underwriting area. Assumed reinsurance (SGI's assumption of portions of the risks of other insurers) operates as a separate profit/loss centre.

Because world reinsurance markets have tightened considerably in recent years, ceded reinsurance coverage has become more costly to obtain. Controlling these costs was the subject of close scrutiny in 1984, and will continue to be a challenge in the years ahead.

In 1984, SGI continued to feel the effects of claims liabilities from assumed reinsurance treaties cancelled in previous years. The assumed portfolio recorded a $4.4 million loss in 1984, and is directly responsible for the negative bottom line for the general business.

A comprehensive review of claims incurred but not reported (IBNR) was completed at year end to assess the future loss development of the cancelled treaties. SGI determined that outstanding liabilities would continue to run off over a number of years, because of the long-tailed nature of liability claims. Underwriting guidelines adopted in 1982 preclude the future assumption of risks of this nature.

Premiums written of $5.3 million declined from $8.1 million in 1983, reflecting the run-off of old business and the corporate emphasis on procuring selective and stable new business.

Allan W. Wagar
Chairman of the Board

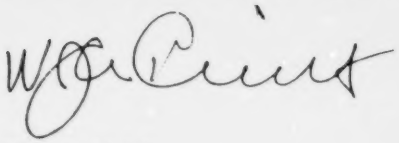
Donald W. Black
President

Responsibility for Financial Statements

The financial statements have been prepared by the management of the corporation in conformity with accounting principles generally accepted in Canada. The financial statements have been examined and approved by the Board of Directors. The independent auditor has performed an audit of the corporation which has enabled him to express his opinion on the financial statements of the corporation. This opinion is shown on page 20.

Preparation of financial information is an integral part of management's broader responsibilities for the ongoing operations of the corporation. Management maintains an extensive system of internal accounting controls to ensure that transactions are accurately recorded on a timely basis, are properly approved, and result in reliable financial statements. The adequacy and operation of the control systems are monitored on an ongoing basis by an internal audit department.

An Audit Committee, composed of members of the Board of Directors of SGI, meets periodically with financial officers of the corporation and the external auditors. The independent auditor has free access to this Committee, without management present, to discuss the results of his audit work and his opinion on the adequacy of internal financial controls and the quality of financial reporting.



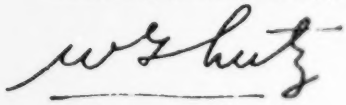
W.J.A. Heidt
Vice-President
Finance

Auditor's Report

To the Members of the Legislative Assembly
Province of Saskatchewan:

I have examined the statement of financial position of Saskatchewan Government Insurance as at December 31, 1984, and the statements of operations and retained earnings and changes in financial position for the year then ended. My examination was made in accordance with generally accepted auditing standards, and accordingly included such tests and other procedures as I considered necessary in the circumstances.

In my opinion, these financial statements present fairly the financial position of the corporation as at December 31, 1984, and the results of its operations and the changes in its financial position for the year then ended in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.



W. G. Lutz, F.C.A.
Provincial Auditor

Regina, Saskatchewan
February 28, 1985

Statement of Financial Position

December 31	1984	(January 1) 1984 (Notes 3 & 10)
Assets		(Thousands of $)
Cash and Investments Maturing Within One Year	$ 26,226	$ 28,850
Accounts Receivable	18,443	26,758
Prepaid Expenses and Inventories	15,115	15,125
Long-Term Investments (Note 5)	76,954	68,406
Net Investment in Capital Lease	5,394	5,436
Property, Plant & Equipment (Note 6)	19,417	20,777
	$161,549	$165,352
Liabilities		
Accounts Payable & Accrued Charges	$ 10,910	$ 11,945
Unpaid Claims	66,766	63,683
Unearned Premiums	55,152	57,406
	132,828	133,034
Capitalization		
Advances (Note 4)	57,000	57,000
General Insurance - Retained Earnings (Deficit)	(28,279)	(24,682)
	28,721	32,318
	$161,549	$165,352

(See accompanying notes)

Statement of Operations and Retained Earnings

Year Ended December 31	1984	1983 (Thousands of $)
Direct Net of Ceded		
Premiums Written	$100,948	$102,864
Premiums Earned	$102,782	$ 97,359
Investment Earnings	10,909	13,930
Other Income (Note 7)	578	1,543
Total Revenue	114,269	112,832
Claims Incurred	71,662	80,111
Commissions	19,676	18,214
Premium Taxes	4,718	3,787
Administrative Expenses	17,406	17,229
Total Claims and Expenses	113,462	119,341
Income (Loss) Before Assumed Operations	807	(6,509)
Income (Loss) From Assumed Operations (Note 8)	(4,404)	16,300
Net Earnings (Loss)	(3,597)	9,791
Retained Earnings (Deficit):		
Balance Beginning of Year	(24,682)	(34,473)
Retained Earnings (Deficit):		
Balance End of Year	$(28,279)	$(24,682)

(See accompanying notes)

Statement of Changes in Financial Position

Year Ended December 31	1984 (Note 3)	1983
Resources Provided		(Thousands of $)
General Insurance		
Net Earnings (Loss)	$ (3,597)	$ 9,791
Adjustments to Convert Earnings to a Cash Basis:		
Loss (Gain) on Sale of Fixed Assets	(556)	(45)
Increase (Decrease) in Prepaids, Receivables, Payables and Deferred Accounts (Net)	8,118	(25,501)
Depreciation and Amortization	961	971
Resources Provided by General Insurance Operations	4,926	(14,784)
Proceeds from Disposal of Fixed Assets	1,421	184
Resources Provided by General Insurance	6,347	(14,600)
The Automobile Accident Insurance Act		
Transfer of Rate Stabilization Reserve to Saskatchewan Auto Fund	(14,891)	-
Transfer of Prepaids, Receivables, Payables and Deferred Accounts (Net) to Saskatchewan Auto Fund	(172,110)	-
Net Increase to Rate Stabilization Reserve	-	27,453
Adjustment to Convert Earnings to a Cash Basis:		
Increases in Prepaids, Receivables, Payables and Deferred Accounts (Net)	-	17,823
(Resources Transferred to the Saskatchewan Auto Fund) Resources Provided by the A.A.I.A.	(187,001)	45,276
Total Resources Provided	$(180,654)	$30,676
Resources Applied		
Transfers to the Saskatchewan Auto Fund	$(187,001)	$ -
Acquisition of Fixed Assets	503	2,026
Increase (Decrease) in Short-Term Investments	(1,870)	3,900
Increase in Long-Term Investments	7,714	24,750
Total Resources Applied	$(180,654)	$30,676

(See accompanying notes)

Notes to the Financial Statements

1. Significant Accounting Policies

The corporation's accounting policies are in accordance with generally accepted accounting principles. The following are considered to be significant:

Investments

(a) Bonds, debentures and mortgages have been accounted for on the "deferral and amortization" method. Under this method, realized gains and losses on disposal are deferred and amortized over the period to maturity of the security sold. The unamortized portion of realized gain or loss is included in the amortized value of bonds and debentures.

(b) Shares and convertible bonds have been accounted for on the "fair value" method. This method values shares on a five-year moving average of market values, thereby allowing for a gradual movement towards current quoted market values.

Premium Acquisition Cost

Premium taxes and commissions are charged to expense over the terms of the insurance policies to which such costs relate.

Depreciation

Depreciation on property, plant and equipment is provided on a straight-line basis, commencing in the year in which the assets are placed in service, at rates which are expected to amortize the cost over the service life of each asset.

Unpaid Claims

The provision for unpaid claims includes the estimated cost to the corporation of reported claims, and an estimate based on the claims settlement experience of the corporation of the cost of claims yet to be reported.

Capital Lease

The corporation, as lessor, has a 37 per cent interest in a lease agreement with a Government department for a term of thirty years (twenty-six years remaining) on property in Prince Albert. The lease transferred substantially all of the benefits and risks incident with the ownership of the property to the lessee. The investment in the capital lease reflects the present value of future lease payments, discounted at an interest rate implicit in the lease.

Unearned Premiums

Premiums not yet taken into income represent the portion of the policy premiums relating to the unexpired term of each policy.

Foreign Exchange

Assets and liabilities in foreign currency are translated to Canadian dollars at the year-end rate of exchange. Unrealized gains and/or losses arising on translation are charged to operations in that year.

Administrative Expenses

The corporation as administrator of the Saskatchewan Auto Fund incurs certain administrative expenses which cannot be readily or economically identified with the operations of the corporation or the Saskatchewan Auto Fund. Section 97 of the Automobile Accident Insurance Act, which became effective January 1, 1984, provides that the Board of Directors of the corporation may make rules for the allocation of these expenses between SGI and the Auto Fund. The Board of Directors has approved an equal sharing of these administrative expenses, which is consistent with the allocation used in the prior year.

Identifiable administrative expenses are charged directly to operations.

Superannuation

The corporation has a retirement plan covering its employees. Current service costs of this plan are charged to earnings on the basis of actuarial valuations made every third year. Prior years' service benefits are fully funded, as the Fund is in a surplus position per the actuarial valuation made as of December 31, 1983.

The corporation also has employees who are members of the Crown Investments Corporation Pension Plan 39562 Fund. The corporation matches employee contributions to this plan.

Investment Earnings

In 1983, investment earnings from insurance operations were allocated between the general business and the A.A.I.A. on the basis of the cash-flow analysis of the corporation.

2. Status of the Corporation

Saskatchewan Government Insurance was established as a branch of the Public Service by the Government of Saskatchewan Insurance Act, 1944, reorganized pursuant to the Saskatchewan Government Insurance Act, 1946, and continues under the provisions of the Saskatchewan Government Insurance Act, 1980.

The corporation conducts a general insurance business under the provisions of its Act.

The accounts of the corporation are consolidated in the annual financial statements of the Crown Investments Corporation of Saskatchewan, the financial holding company of the Province of Saskatchewan.

3. Automobile Accident Insurance Act

The corporation acts as administrator of the Saskatchewan Auto Fund under the provisions of the Automobile Accident Insurance Act (Chapter A-35,

Revised Statutes of Saskatchewan, 1978). In December 1983, this Act was amended to create the Saskatchewan Auto Fund, effective January 1, 1984. All assets and liabilities pertaining to the compulsory automobile insurance program, the Salvage Division operations and the balance of the automobile Rate Stabilization Reserve, which had previously been recorded in the accounts of SGI, were transferred to the Saskatchewan Auto Fund effective January 1, 1984 at their net book value. This transaction had the following effect on the financial position of Saskatchewan Government Insurance:

(Thousands of $)

	Dec. 31/83	Transfers to Sask. Auto Fund Jan. 1/84	Jan. 1/84
Cash and investments maturing within one year	$ 78,397	$ 49,547	$ 28,850
Accounts receivable	35,776	9,018	26,758
Prepaid expenses and inventories	20,365	5,240	15,125
Long-term investments	185,029	116,623	68,406
Net investment in capital lease	14,709	9,273	5,436
Property, plant and equipment	32,335	11,558	20,777
	$366,611	$201,259	$165,352
Accounts payable and accrued charges	$ 22,910	$ 10,965	$ 11,945
Unpaid claims	150,960	87,277	63,683
Unearned premiums	145,532	88,126	57,406
Advances	57,000	-	57,000
General Insurance - Retained Earnings (Deficit)	(24,682)	-	(24,682)
Automobile Accident Insurance Act Rate Stabilization Reserve	14,891	14,891	-
	$366,611	$201,259	$165,352

4. Advances

Advances from the Crown Investments Corporation of Saskatchewan (C.I.C.) are non-interest bearing, and repayment is at the discretion of C.I.C.

5. Long-Term Investments

The components of the corporation's long-term investments are as follows:

(Thousands of $)

	Dec. 31/84		Jan. 1/84		Dec. 31/83	
	Book Value	Market Value	Book Value	Market Value	Book Value	Market Value
			(Note 3)			
Bonds & debentures	$58,716	$57,333	$49,630	$46,603	$134,230	$126,044
Mortgages	5,103	5,207	5,425	5,539	14,677	14,986
Shares & convertible bonds	13,135	13,497	13,351	14,798	36,122	40,034
Total long-term investments	$76,954	$76,037	$68,406	$66,940	$185,029	$181,064

6. Property, Plant and Equipment

The components of the corporation's investment in property, plant and equipment, as well as the related accumulated depreciation, are as follows:

(Thousands of $)

	Cost 1984	Accum. Depr. 1984	Net Book Value Dec. 31/84	Net Book Value Jan. 1/84 (Note 3)	Net Book Value Dec. 31/83
Land & Improvements	$ 912	$ -	$ 912	$ 1,504	$ 2,961
Buildings	18,887	2,542	16,345	17,196	25,833
Automobiles, Furniture and Equipment	3,720	1,560	2,160	2,077	3,541
Total	$23,519	$4,102	$19,417	$20,777	$32,335

7. Salvage Division

Effective January 1, 1984, the operations of the Salvage Division were transferred to the Saskatchewan Auto Fund. This division has been operated by the corporation to maximize the derived economic value of salvageable vehicles, vehicle parts and materials available through the claims settlement process. In 1983, the net earnings of the Salvage Division of $1,408,000 were included in other income.

8. Assumed Reinsurance

The corporation underwrites a portfolio of assumed reinsurance, which accepts a portion of the risk of other insurers. In 1984, assumed reinsurance premiums earned amounted to $5,768,000 (1983 - $9,036,000); claims incurred were $9,651,000 (1983 - $(9,266,000) representing a net recovery); and the loss from assumed operations was $4,404,000 (1983 - profit $16,300,000).

9. Remuneration of Directors and Senior Officers

Directors of the corporation received remuneration totalling $92,950 in 1984 (1983 - $66,300). The eight senior officers of the corporation on staff at year-end received $551,304 in salaries for 1984 (1983 - $371,375 representing six senior officers).

10. Comparative Financial Information

The Statement of Financial Position has not been prepared on a comparative basis for the preceding year due to the transfer of assets, liabilities and the Rate Stabilization Reserve to the Saskatchewan Auto Fund effective January 1, 1984. In order to enhance the usefulness of the Statement of Financial Position, comparative figures as at January 1, 1984 have been provided.

11. Related-Party Transactions

Included in these financial statements are income and expense amounts resulting from routine operating transactions conducted at prevailing market prices with various Saskatchewan Crown-controlled departments, agencies and corporations with which the corporation is related.

Account balances resulting from these transactions are included in the Statement of Financial Position and are settled on normal trade terms. Other amounts due to (from) related parties and the terms of settlement are described separately in the financial statements and the notes thereto.